

Market Based Sourcing – an Incentive for NC Based Service Corporations



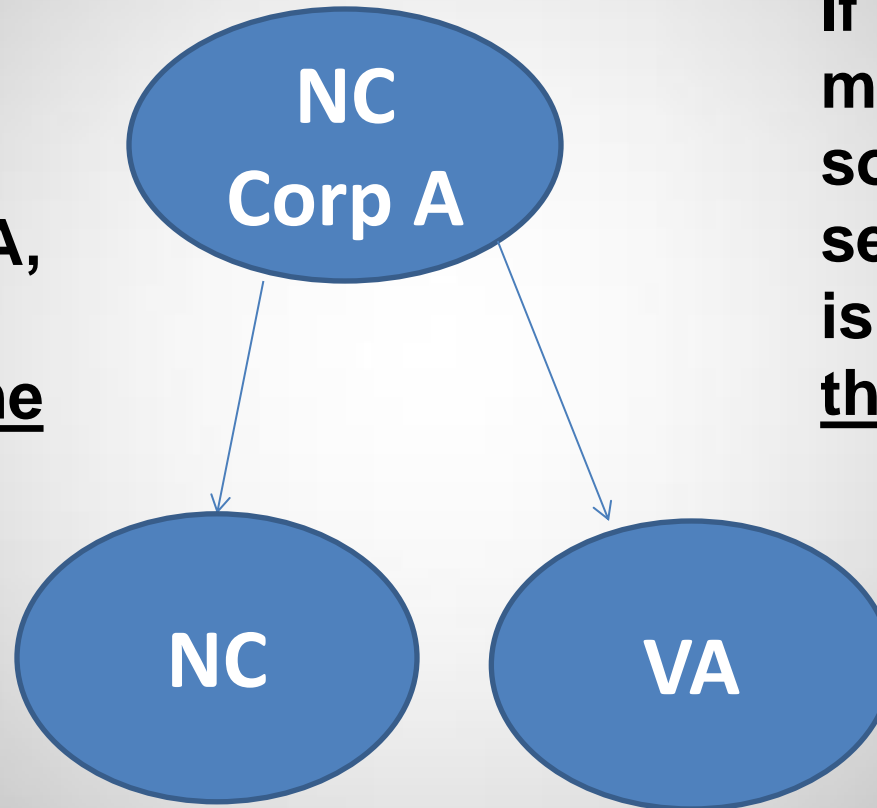
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Market based sourcing is a common methodology used in 23 other states for calculating the amount of income tax a corporation pays to a state

Single sales factor apportionment already enacted, but MBS is the second part of providing incentives to NC based companies with investments in property and workforce here

How to Determine Where Service Income is Taxed?

If Corp A has \$100 in sales of services to customers in VA, current NC law taxes the income in NC where service work is performed & Corp A will pay more NC tax



If NC adopts market based sourcing, the service income is taxed where the customer is located & Corp A will pay less NC tax

In Summary

- This General Assembly has already enacted single sales factor apportionment, which reduces taxes for NC manufacturers with large investments in equipment and workers here
- Market based sourcing will reduce taxes for NC based service companies with investments in equipment and workers here
- NC based service companies WILL NOT BENEFIT from single sales factor and will pay more NC tax without market based sourcing
- Market based sourcing has been adopted by most states that have single sales factor apportionment

In Summary

- The Multistate Tax Commission guidelines for market based sourcing are suggestions only and can be customized to help NC companies—**Why reinvent the wheel?**
- The General Assembly, taxpayers and others will have ample time to comment on and change any proposed NCDOR rules for MBS prior to 1/1/18
- Market based sourcing is used for income and franchise tax only and does not impact sales tax
- **Trend?---**23 States now use market-based sourcing (including GA & TN; CT on 5/13/16)

?QUESTIONS?

MOVIE QUOTES	WORLD LITERATURE	CLASSIC TV	POETRY	THE PLANET EARTH	THE '80'S
\$200	\$200	\$200	\$200	\$200	\$200
\$400	\$400	\$400	\$400	\$400	\$400
\$600	\$600	\$600	\$600	\$600	\$600
\$800	\$800	\$800	\$800	\$800	\$800
\$1000	\$1000	\$1000	\$1000	\$1000	\$1000

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